

11 NCAC 18 .0121 DEFINITIONS AND CERTIFICATION OF RATES FILING

(a) As used in this Rule, the following terms have the meanings ascribed to them:

- (1) "Rates are adequate" for a given block of policies or certificates means that the total payments collected now and in the future by the MEWA plus the investment earnings attributable to any net retained funds should be at least sufficient to fund the current and future benefits promised plus cover related expenses.
- (2) "Block of policies" means all policies or certificates issued by the MEWA under the same schedule of rates and on the same policy form or under the same group master contract.
- (3) "Rates are not excessive" for a given block of policies or certificates means that the most recent calendar year incurred loss ratio is greater than or equal to one minus the expense ratio for that given block of policies or certificates.
- (4) "Expense ratio" means the ratio of the MEWA's operating expenses for a block of policies or certificates to its earned premium for that block of policies or certificates.
- (5) "Operating expense" means any combination of the following expenses:
 - (A) Commissions;
 - (B) Other acquisition;
 - (C) General administration;
 - (D) Taxes, licenses, and fees; and
 - (E) Profit and contingency margin.
- (6) Rates are not "unfairly discriminatory" if they reflect equitably differences in expected risk.

(b) Every year each MEWA shall file the following actuarial certification executed by a qualified actuary in the following manner:

"I (Name of Qualified Actuary) am a qualified actuary as defined in 11 NCAC 18 .0119(a) and I certify that the rates developed for (Name of MEWA) are calculated in an actuarially sound manner and that these rates are adequate, not excessive, and not unfairly discriminatory."

*History Note: Authority G.S. 58-2-40; 58-49-40(c); 58-49-50;
Eff. July 1, 1994;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 16, 2014.*